

# **RACE & SPORTS DEPARTMENT**

STATE OF NEVADA  
GAMING CONTROL BOARD  
INTERNAL AUDIT COMPLIANCE CHECKLIST

**RACE & SPORTS DEPARTMENT**

**WALK-THROUGH PROCEDURES**

For the walk-through procedures, indicate (by tickmark) whether the procedures were confirmed through inquiry of licensee personnel, via observation of procedures, or examination of a completed document.

Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the GCB or the external auditor, or include a copy of the prior audit reports in the work papers and follow up on any problems noted. Duplication of exceptions when the external auditor is referring to exceptions reported in internal audit reports is not necessary.

**Note W/P Ref.:**\_\_\_\_\_

All “no” and “n/a” answers require an explanation and disposition (e.g., approval of alternative procedure granted by the Board, including computerized applications). All exceptions noted should be carried to the internal auditor’s report/summary of findings for timely follow-up.

**Note W/P Ref.:**\_\_\_\_\_

The bolded number following each question refers to the applicable regulation/statute.

**Scope**

This checklist must be completed once in each fiscal year.

**MICS Variations and Regulation Waivers**

Obtain copies of MICS variation requests and GCB correspondence regarding such requests from appropriate property personnel. Review to determine status of evidence of any waivers or alternative requirements imposed by granted variations. Modify and/or perform additional procedures as applicable.

**Associated Equipment**

Determine if field trial or final approval has been received for all associated equipment used in the race and sports book. For all unreported associated equipment, cite violations of **Regulation 14.290**. If any associated equipment is currently under going field trial, it is not necessary to perform a walk-through of the procedures in effect utilizing the field trial letter. For “approved” associated equipment, utilizing the final approval letter, perform a walk-through of any **special requirements** imposed on the use of the associated equipment including any additional controls which were included in the written system of internal control.

Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted or Associated Equipment Approval	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

**Note:** Variations/waivers and associated equipment need only be scheduled once. Refer to the work paper where the details are scheduled and complete the last two columns of the above grid if walk-through procedures are affected.

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	YES	NO	N/A	COMMENT, W/P REFERENCE	PERSON INTERVIEWED/ TITLE
1. Complete the CPA MICS Compliance Checklist for Race and Sports Books in accordance with the CPA MICS Compliance Reporting Requirements "Guidelines".					
2. Have all applicable employees registered with the Board as required pursuant to <b>Regulation 22.035</b> ?					
3. Do all betting tickets bear the name and address of the book? <b>Regulation 22.050</b>					
4. Does the licensee prohibit the acceptance of wagers from a person who the book, agent or employee knows, or reasonably should know, is a messenger bettor or is placing the wager in violation of state or federal law? <b>Regulation 22.060(5)</b>					
5. Are all wagering propositions on races or sporting events posted in compliance with <b>Regulation 22.060(7)</b> ?					

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<b>Noncash, Nonpari-mutuel Wagers</b>  6. Has the licensee notified the Board in writing as to whether the book will accept noncash wagers? <b>Regulation 22.060(8)</b>					
<b>Note 1: Regarding the following questions, it is acceptable for the licensee to choose not to distinguish between pari-mutuel and nonpari-mutuel wagers for compliance purposes.</b>  <b>Note 2: Refer to Regulation 22 Newsletter #1, questions 22-24 for additional guidance on identification procedures. Be aware of differences in the requirements of Regulations 22 and 6A.</b>  7. Prior to accepting a noncash, nonpari-mutuel wager in excess of \$10,000 from other than a "known patron" [Note: The definition of a "known patron" is found in <b>Regulation 22.061(4)</b> ], does the book:					
a) Obtain the patron's name? <b>Regulation 22.061(1)(a)</b>					

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b) Obtain or reasonably attempt to obtain the patron's permanent address and social security number? <b>Regulation 22.061(1)(b)</b>					
c) Obtain one of the following identification credentials from the patron: 1) Driver's license; 2) Passport; 3) Non-resident alien identification card; 4) Other reliable government issue identification card; or 5) Other picture identification credential normally acceptable as a means of identification when cashing checks? <b>Regulation 22.061(1)(c)</b>					
d) Examine the identification credential obtained to verify the patron's name, and to the extent possible, to verify the accuracy of the address and social security number? <b>Regulation 22.061(1)(d)</b>					

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<p>8. If a book employee knows a patron, does he verify that the licensee has previously obtained the patron's name and identification credential and that the information is on file and has been updated within the last three years? <b>Regulation 22.061(4)</b></p> <p><b>Note: Applies only if the book employee relies on this method of identification. If the employee performs the identification procedures of Regulation 22.061(1), this is a moot point.</b></p>					
<p>9. Prior to accepting a noncash, nonpari-mutuel wager in excess of \$10,000, if the book knows a person is placing a wager on behalf of another person, does the licensee:</p> <p>a) Obtain and record the information in question 7 with respect to the person placing the wager? <b>Regulation 22.061(2)</b></p>					

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b) Attempt to obtain the information in question 7 with respect to the person for whom the wager was placed and record such information to the extent it was obtained? <b>Regulation 22.061(2)</b>					
10. Subsequent to accepting a noncash, nonpari-mutuel wager in excess of \$10,000, including those from listed patrons, does the book record or maintain records that include:					
a) The patron's name and, if applicable, the agent's name? <b>Regulation 22.061(3)(a)</b>					
b) The patron's address and, if applicable, the agent's address? <b>Regulation 22.061(3)(b)</b>					
c) The patron's social security number and, if applicable, the agent's social security number? <b>Regulation 22.061(3)(c)</b>					

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d) A description including any document number of the identification credential examined (or credential information on file for known patrons) and, if applicable, for the agent? <b>Regulation 22.061(3)(d)</b>					
e) The amount of the wager? <b>Regulation 22.061(3)(e)</b>					
f) Window number or other identification of the location where the wager occurred? <b>Regulation 22.061(3)(f)</b>					
g) The time and date of the wager? <b>Regulation 22.061(3)(g)</b>					
h) The name and signature of the book employee accepting or approving the wager? <b>Regulation 22.061(3)(h)</b>					
i) Method of identification verification? <b>Regulation 22.061(3)(i) – per industry letter dated 1/29/99</b>					
j) Date of birth? <b>Regulation 22.061(3)(i) – per industry letter dated 1/29/99</b>					

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k) Any other information as required by the chairman? <b>Regulation 22.061(3)(i)</b>					
11. Does the book report the wagers required by <b>Regulation 22.061(3)</b> to be recorded, excluding wagers accepted from “listed patrons,” on a “Book Wagering Report”? <b>Regulation 22.061(6)</b>  <b>NOTE: The exclusion of wagering activity by listed patrons applies only to the Book Wagering Report, not to the recording of information pursuant to Regulation 22.061(3).</b>					
12. Per examination of the most recent report, does the report include all of the information required by <b>Regulation 22.061(6)</b> , including information required by the Chairman?					
13. Are such reports submitted to the Gaming Control Board no later than fifteen days after the end of the month in which the transaction(s) occurred? <b>Regulation 22.060(6)</b>					

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14. Does the licensee file an amended Book Wagering Report if it obtains information to correct or complete a previously submitted report, referencing to the previously submitted report? <b>Regulation 22.061(6)</b>					
<p><b>Multiple Noncash, Nonpari-Mutuel Wagers</b></p> <p><b>Note: One “MTL” may be used for Regulation 22 and Regulation 6A purposes as long as cash and noncash transactions are distinguished on the log.</b></p> <p>15. Is each noncash, nonpari-mutuel wager made between the book and a patron (or an agent or confederate of the patron) within a monitoring area, in an amount exceeding \$3,000, recorded on a noncash wager multiple transaction log? <b>Regulation 22.062(2)</b></p>					

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16. Does a book employee monitor and record on a noncash wager multiple transaction log noncash, nonpari-mutuel wagers in amounts less than \$3,000 if he has knowledge that the \$3,000 threshold has been exceeded through a series of noncash, non-parimutuel wagers between the book and a patron (or an agent or confederate of the patron)? <b>Regulation 22.062(2)</b>					
17. Is each entry in the noncash wager multiple transaction log made by the employee accepting or approving the wager, immediately after accepting the wager? <b>Regulation 22.062(3)</b>					

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<p><b>Note: The requirement to record information for both the patron and agent applies when a book employee knows, or has reason to know, that the individual placing the wager is a confederate or agent of the patron.</b></p> <p>18. Examine recent noncash multiple transaction logs and determine if the following are included:</p> <p>a) Description of the patron (or agent), which may include such identifiers as age, sex, race, eye color, hair, weight, height and attire, if the person is present when the wager is accepted? <b>Regulation 22.062(3)(a)</b></p>					
<p>b) Patron's name and agent's name, if known? <b>Regulation 22.062(3)(b)</b></p>					
<p>c) Window number or other identification of the location where the wager occurred? <b>Regulation 22.062(3)(c)</b></p>					
<p>d) Time and date of the wager? <b>Regulation 22.062(3)(d)</b></p>					

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e) Dollar amount of the noncash wager? <b>Regulation 22.062(3)(e)</b>					
f) Signature of the person accepting or approving the wager? <b>Regulation 22.062(3)</b>					

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<p>19. Is one log maintained for each monitoring area? <b>Regulation 22.062(3)</b></p> <p><b>Note 1: If the book is subject to Regulation 6A, the monitoring areas are those designated by the licensee for compliance with Regulation 6A. If the book is not subject to Regulation 6A the monitoring area consists of all race book and sports pool writing locations unless otherwise approved by the chairman. Regulation 22.062(7)(b)</b></p> <p><b>Note 2: If a separate telephone room exists apart from the regular write area (such as a central site book) and this room is not operated by individuals who accept other cash or noncash wagers, the room may be considered a separate monitoring area. However, see Regulation 22 Newsletter #1, question 19 for further guidance.</b></p>					

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<p>20. Is a log completed for each designated 24-hour period regardless of whether any noncash, nonpari-mutuel wagers occurred? <b>Regulation 22.062(3)(f)</b></p> <p><b>Note: The designated 24-hour period means the 24-hour period designated by the licensee for the book for compliance with Regulation 6A. If the book is not subject to Regulation 6A, the book's designated 24-hour period ends at midnight each day unless otherwise approved by the chairman. Regulation 22.062(7)(a)</b></p>					
<p>21. At the end of each designated period, is an entry made in the log to indicate that the end of the 24-hour period has occurred? <b>Regulation 22.062(3)</b></p> <p><b>Note: This should be a comment such as "end of day." The purpose is to be able to distinguish any transactions that were added after the fact from those which were recorded immediately after the transactions occurred.</b></p>					

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22. To determine if the \$10,000 threshold has been exceeded, does the book aggregate all cash and noncash wagers that are nonpari-mutuel wagers between the book and the patron (or a person who book employees know is an agent or confederate of the patron) in excess of \$3,000 and those wagers in amounts of \$3,000 and less, when a book employee has knowledge of the wagers, during a designated 24-hour period within a monitoring area? <b>Regulation 22.062(4)</b>					
23. Prior to completing a wager that, when aggregated with other wagers pursuant to <b>Regulation 22.062(4)</b> , will aggregate to an amount that will exceed \$10,000, does the book complete the identification and recordkeeping requirements described in <b>Regulation 22.061(1)?</b> <b>Regulation 22.062(5)</b>					
24. When aggregated wagers exceed \$10,000 (see note following question 26), does the book complete the recording and reporting requirements of <b>Regulation 22.061? Regulation 22.062(5)</b>					

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<p>25. Do records and reports completed pursuant to <b>Regulation 22.061</b> and <b>Regulation 22.062(5)</b> exclude cash wagers and portions of wagers made with cash that are required to be reported pursuant to <b>Regulation 22.064</b>? <b>Regulation 22.062(5)</b></p> <p><b>Note: If cash amounts were not required to be reported pursuant to Regulation 6A or Regulation 22.064, then the cash wagers are included in the records and reports required by Regulation 22.061 and Regulation 22.062(5).</b></p>					

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<p>26. If a patron whose wagers were required to be recorded pursuant to <b>Regulation 22.061</b> or <b>Regulation 22.062(4)</b> makes an additional wager during the designated 24-hour period, does the book complete the identification, recordation and reporting procedures described in <b>Regulation 22.061</b> for any such additional wagers, regardless of amount? <b>Regulation 22.062(6)</b></p> <p><b>Note: For purposes of this question, “additional wagers” do not include cash wagers (or portions of wagers made with cash) that are required to be reported pursuant to Regulation 6A or Regulation 22.064. However, if a cash wager will <i>not</i> be subject to reporting under one of these regulations, the amounts are to be recorded in accordance with Regulation 22.061 and Regulation 22.062(4).</b></p>					

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27. If the chairman has imposed upon this book the identification, recordkeeping and reporting requirements of <b>Regulation 22.061 and 22.062</b> for pari-mutuel wagers, is the licensee complying with the requirements as described in the notification letter?					
28. If the book is not subject to the requirements of <b>Regulation 6A</b> , does it submit to the Board a copy of any report required to be filed pursuant to 26 U.S.C. Section 6050I, related to the acceptance of wagers within 30 days of the required federal filing deadline? <b>Regulation 22.064</b>					
<b>Parlay Card Wagers</b>					
29. Do parlay card wagering forms disclose all the information required by <b>Regulation 22.090</b> ?					
<b>Communications Technology</b>					
30. Has the licensee received written approval from the Board for any communications technology on the premises of the book? <b>Regulation 22.130</b>					

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31. Does the licensee prohibit any person from using a communications device within the premises of the book? <b>Regulation 22.135</b>					
32. Has the licensee obtained the written approval of the chairman to accept wagering communications? <b>Regulation 22.140(2)</b>					
33. Does the licensee use only the communications technology approved for that purpose? <b>Regulation 22.140(2)</b>					
34. Annually, has the licensee obtained the chairman's approval to continue using the communications technology? <b>Regulation 22.140(2)</b>					
35. Are all wagering communications electronically recorded and retained for a period of 60 days? <b>Regulation 22.140(9)</b>					
<b>Surveillance</b>					
36. Is adequate video surveillance provided over the race and sports book area? <b>Regulation 5.160(9) and Surveillance Standard #5</b>					

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<b>Free Play and Promotional Items</b>  37. If free play or promotional items are <u>currently</u> being offered, is the accounting treatment proper? <b>NRS 463.0161, NRS 463.3715 and Regulation 6.110</b>					
<b>Employee Segregation</b>  38. Are race and sports book employees prohibited from wagering on race/sports events, except off-track pari-mutuel wagering, with the book at which they are employed or at a book of an affiliate or an affiliated company whether on their behalf, on behalf of the race book or sports pool, or on behalf of another person? <b>Regulation 5.013</b>					
<b>Other</b>  39. Are house rules conspicuously displayed? <b>Regulation 22.150.</b>					

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40. Are copies of the <u>actual NGC-32</u> reports filed with the Gaming Control Board mailed to the appropriate disseminators by the 24 <sup>th</sup> day of the month after the month covered by the report? <b>Regulation 20.030(7)</b>					
<b>In-house Progressive Payoff Schedules</b>  41. Scan progressive meter readings for the most recent two weeks and determine that: <ul style="list-style-type: none"> <li>a. The amount of each progressive payoff schedule is recorded at least one time daily. <b>Regulation 5.110</b></li> <li>b. The payoff amount has not been decreased except as allowed by <b>Regulation 5.110</b>. (Any reduction should be supported by appropriate documentation.)</li> </ul>					
42. Is a record of the base amount for each progressive payoff schedule maintained? <b>Regulation 5.110</b>					

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<u><b>Procedures Modified or Added</b></u>					

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**TESTING PROCEDURES**

**OBJECTIVES:** To determine if controls for race and sports books are adequate to ensure race and sports book revenues are accurately stated in financial records and comply with the MICS.

**PREPARATION:** Review the MICS variations and regulation waivers scheduled during the race and sports book walk-through procedures. Modify and/or perform additional procedures as applicable. Note below the number of the procedure modified or added. Only the last two columns need to be completed if the remaining information is scheduled in the "Walk-through Procedures Checklist".

Date Approval Granted	MICS Number or Regulation	Description of Variation/Waiver Granted or Associated Equipment Approval	Number(s) of Procedure Modified or Added	W/P Ref. (if appl.)

**SCOPE:** Unless otherwise indicated, select 1 day per year.  
**Indicate Test Date:** \_\_\_\_\_

**COMPLETION:** Using your own work papers, document the completion of the procedures listed below. All exceptions noted should be carried to the internal auditor's report/summary of findings for timely follow-up.  
**Note W/P Ref.:** \_\_\_\_\_

**NOTE:** If the race and sports book is an outstation of a central site book, steps #9 e-g, 11, 12 and 19 do not need to be performed.  
**Indicate the Central Site Book:** \_\_\_\_\_

	W/P Reference/Comments	Auditor's Initials/Date
1. Review prior internal audit reports. Schedule any relevant exceptions cited, including those cited by the GCB or the external auditor, or include a copy of the prior audit reports in the work papers and follow-up on any problems noted. Duplication of exceptions when the external auditor is referring to exceptions reported in internal audit reports is not necessary.		



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2. Foot the write transaction register for one writer station for one day. Foot subtotals of all writer stations from the write transaction register. Trace total to the daily recap.		
3. Foot payout tickets (customer copy) for one cashier station for one day. Trace total to the daily recap.		
4. If future wagers are reported on the day the wager is accepted (cash basis), review the futures report and trace the report totals to the daily recap.  <b>The "Taxable Revenue" figure on the daily recap is usually calculated on the accrual basis for write (payouts must, pursuant to Regulation 6.110, be reported on the cash basis).</b>		
5. If future wagers are reported on the day of the event (accrual basis), select a sample of future tickets written:  a. Trace these tickets to the futures report and verify that the write was not included in revenue on the day that the ticket was written.  b. Obtain the futures report for the day(s) of the event(s) and verify that the write was properly included in revenue on the day of the event.		
6. If any free play or promotional items were in effect on the test date, determine that the accounting treatment was proper and that win/loss was properly computed.		
7. Foot and cross-foot the daily recap. Trace race and sports book revenue from the daily recap to the monthly revenue journal.		

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8. For the month in which the test day was selected, foot the win/loss amounts in the monthly revenue journal. Trace the win/loss from the monthly revenue journal to the NGC tax reports. Examine general ledger accounts for the propriety of any activity that affects reported revenue.		
9. For the test day, select 10 winning tickets for sports wagers and 10 winning tickets for race wagers.  <b>The tickets examined should include examples of each different type of wager accepted (i.e., quinella, exacta, round robin, two-team parlay, etc.).</b>  a. Match customer copy of payout to write transaction register.  b. Recalculate and verify proper payout with respect to wager and odds.  c. Trace winning ticket to the payout transaction register.  d. If the payout is equal to or greater than an amount that requires listing on the exception report, trace the ticket to the exception report.  e. Trace winner of event to the computerized results summary.  f. Trace winner to an independent source to verify the winner and the reasonableness of odds and point spreads.  g. Trace the computer-generated date and time on the ticket to an independent source to determine if past-posting has occurred.		

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<p>10. For 10 voided tickets (5 race and 5 sports), trace tickets (and the information on the tickets) to the exception reports. Trace the time that the ticket was voided (per the exception report) to the cut-off time of the event (per the results summary). For all "not in computer voids" trace the time that the ticket was voided (per the manual date/time stamp) to the cut-off time of the event (per results summary).</p> <p><b>Certain systems may allow past-post voids provided that all voids of this type require supervisory (password) approval and are reported on the exception report separately.</b></p>		
<p>11. Examine the exception report for the following:</p> <ul style="list-style-type: none"><li>a. Past-post write: For tickets written more than 15 minutes after the start of a sporting event and more than 1 minute after a racing event, determine the validity and materiality of the exception.</li><li>b. Voids: For tickets which are voided after the start of the event, determine the validity and materiality of the exception.</li><li>c. Changes in results: Trace to an independent source to determine the validity and materiality of the exception.</li><li>d. Changes in event times: Trace to an independent source to determine the validity and materiality of the exception.</li><li>e. Any other unusual exception activity (i.e., changes in odds and point spreads, wagers and payouts in excess of the limits, etc.).</li><li>f. Determine that the exceptions have been properly authorized by a supervisor.</li></ul>		

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12. Review event results on the computer-generated results summary for unusual activity.		
<p><b>Wagering Accounts</b></p> <p>13. Examine the electronic recordation of wagering communications for at least one shift and list 5 patron transactions arising from the wagering communications. Record the date, shift(s), patron number, patron name and patron identifier.</p> <p>Trace wagers and payouts resulting from wagering communications to patron account records (see <b>Regulation 22.140.8</b>) and determine that:</p> <p>a. The patron had enough front money deposited to cover the wagering at the time of the wagering communication, or that they had been established as credit patrons in compliance with <b>Regulation 22.170</b>.</p> <p>b. The computer records the date, amount and a description of each debit and credit to the account.</p> <p>c. For each wager accepted the computer recorded the date and time the book accepted the wager, the number of the betting ticket, the amount of the wager, and the personal identification number or other security code, if any, assigned to the patron.</p>		

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<p>14. Examine 10 accounts for signed statements by the bettors in compliance with <b>Regulation 22.140(6)(d)</b>:</p> <p>a. Attesting to the accuracy of the information.</p> <p>b. Acknowledging receipt of a copy of the book's telephone wagering rules and procedures.</p> <p>c. Acknowledging understanding that wagers may be placed from within Nevada only.</p> <p>d. Acknowledging that the bettor understands all the requirements stated above.</p> <p>e. Consenting to monitoring and recording by the Board of any calls at the licensed establishment.</p> <p>f. The book employee recording the information and the supervising employee who witnessed the signing of the documents signed statements that they have witnessed the bettor's signature and confirmed the bettor's identity and residence.</p>		
<p>15. For all accounts selected in step #15 for which the bettor is <b>NOT</b> a resident of Nevada:</p> <p>Examine the telephone activity to ensure that <b>Regulation 22.140(7)</b> has been complied with (i.e., no wagers were accepted subsequent to 96 hours following the opening of the account unless the bettor had the account renewed for an additional 96-hour period).</p>		

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<p><b>Book Wagering Report</b></p> <p>16. Review race and sports book wagers for loggable or reportable noncash, nonpari-mutuel transactions. Trace such transactions to the MTL or Book Wagering Reports. <b>Note:</b> If no such transactions are noted for the test date but loggable/reportable transactions are known to occur regularly, select an additional test date for the performance of this step.</p>		
<p>17. Review MTL's for the following:</p> <p>a. The information is complete in accordance with <b>Regulation 22.062(3)</b>:</p> <p>1) Description of patron (or agent), which may include age, sex, race, eye color, hair, height and attire.</p> <p>2) Patron's name and agent's name, if known.</p> <p>3) Window number or other identification of the location where the wager occurred.</p> <p>4) Time and date of the wager.</p> <p>5) Dollar amount of the noncash wager.</p> <p>6) Signature of person accepting or approving the wager.</p> <p>b. Reportable transactions, including those transactions which when aggregated exceed \$10,000, and trace such transactions to the Book Wagering Reports.</p>		

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<p>18. Review Book Wagering Reports to ensure that the information recorded is complete in accordance with <b>Regulation 22.061(6)</b>:</p> <p>a. The patron's and agent's (if applicable) name.</p> <p>b. The patron's and agent's (if applicable) identity credential information.</p> <p>c. The patron's and agent's (if applicable) social security number.</p> <p>d. Wager amounts.</p> <p>e. Date of transactions.</p>		
<p>19. For computerized systems, obtain the personnel access listing:</p> <p>a. For computerized systems that have group profiles (job specific profiles), select five group profiles and determine whether the job functions (rights) assigned to the group profile are appropriate for the group. In addition, select one employee from each of the groups and determine whether the group profile is appropriate for the employee.</p> <p>b. For computerized systems that have individual profiles (profiles are customized for each employee), select ten employees, encompassing as many positions as possible, and determine whether the job functions (rights) assigned to each employee are appropriate for the employee.</p> <p>c. Verify that inactive employees have been deleted.</p>		

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